

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF COLUMBIA	)	
GAS OF KENTUCKY, INC., FOR	)	
AUTHORITY FOR THE ISSUANCE	)	CASE NO. 89-282
AND SALE OF PROMISSORY NOTES	)	

O R D E R

On October 2, 1989, Columbia Gas of Kentucky, Inc. ("Columbia") filed an application seeking authority to issue and sell up to \$5,800,000 in principal amount of unsecured Installment Promissory Notes ("Notes") and to issue up to 140,000 shares of its authorized but unissued common stock, \$25 par value, to the Columbia Gas System, Inc. ("System"), its registered holding company under the Public Utility Holding Company Act of 1935. On October 31, 1989, the Attorney General's Office, Utility and Rate Intervention Division ("AG"), filed a motion to intervene in this case, and this motion was granted by the Commission on November 10, 1989.

Columbia would use the total proceeds of \$9,300,000 from the sale of the Notes and common stock to finance its 1989 construction program and for other corporate purposes. As outlined in its application, Columbia's proposed capital expenditures for 1989 will amount to \$9,682,000 consisting of outlays for production, distribution, and general facilities. The new Notes would have the same terms and provisions as the current outstanding

nonregistered Installment Promissory Notes of Columbia except that they would be payable in equal annual installments not to exceed 25 years. The interest rate would approximate the System's latest cost of money. Specifically, the interest rate would be based upon the weighted average cost of debt issued by the System through a medium term note program at the time of Columbia's debt issuances to the System.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that the proposed issuance and sale of up to \$5,800,000 in principal amount of Installment Promissory Notes and the issuance of up to 140,000 shares of stock, \$25 par value, by Columbia are for lawful objects within its corporate purposes, are necessary and appropriate for and consistent with the proper performance of its service to the public, and will not impair its ability to perform that service, and are reasonably necessary and appropriate for such purposes and should, therefore, be approved.

IT IS THEREFORE ORDERED that:

1. Columbia be and it hereby is authorized to issue and sell up to \$5,800,000 of Installment Promissory Notes and 140,000 shares of stock, \$25 par value.

2. Columbia shall, within 30 days after the issuance of the securities referred to herein, file with the Commission a statement setting forth the date or dates of issuance of the securities authorized herein, the price paid, all fees and expenses involved in the issuance of the securities, and the terms and interest rates of authorized securities herein.

3. Columbia shall agree only to such terms and prices that are consistent with said parameters as set out in its application.

4. The proceeds from the transactions authorized herein shall be used only for the lawful purposes set out in the application.

Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

Done at Frankfort, Kentucky, this 22nd day of November, 1989.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

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Commissioner

ATTEST:

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Executive Director